

SUMMONING THE WILL TO FUND EDUCATION

Remarks by State Treasurer Phil Angelides
Susan B. Anthony Elementary School, Fresno, CA
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Today, I want to share with you my deep concern about the direction of the debate over the state budget and about the implications of that debate on the future economic and social strength of California.

The following questions should be at the heart of the state's budget deliberations: What investments are critical to ensure California's future success? How can they be delivered in the most cost-efficient and effective manner? And, what is the best way to pay for these investments? Unfortunately, the budget debate has veered off track, as a minority in the Legislature refuses to even rationally discuss balanced and fair approaches to resolving our fiscal challenges. Their stance is undermining our fiscal integrity and blocking the critical investments needed to assure California's continued progress.

The strength of our economy in the decades ahead will be in large part dictated by the smart investments we make today in the public fabric of our society. No other endeavor more aptly illustrates this principle than the education of our state's youth. Education is at the heart and soul of what California has done historically, and what it must do in the future, to provide the foundation for economic expansion and broad opportunity. Indeed, education is fundamentally critical to ensuring California's success in a globally competitive economy.

The time has come to change the focus of the debate over the budget. Instead of merely debating the extent of cuts to our children's education, we should be focusing - even in these tough times - on how we pay for education in a manner worthy of California's legacy and future. After all, if state government cannot educate the children of California, what is its purpose? Nothing has transpired over the last year which lessens the need for a well-educated workforce to secure our future economic strength, or which should lead us to retreat from our commitment to first-class schools. Indeed, there is ample evidence that our increased investment in education over the past few years already has begun to yield positive results.

In this regard, I believe that we must stand firmly against any further cuts to education in the current and next fiscal year. To accomplish this goal in a responsible manner - and to ensure that full funding for our public schools does not come at the expense of other essential services such as healthcare for families and children and aid to those most in need - new revenues will be required. I stand ready to support the measures needed to achieve this worthy goal.

I recognize the difficulties inherent in enacting a budget - particularly taking into account the two-thirds vote required for approval. However, we should not allow the vital matter of education to be pushed from the center of the debate simply because a minority of

legislators threatens to withhold their votes on any reasonable and rational proposal to maintain funding for California's public schools.

In advocating that we fight to preserve funding for our schools, I would like to offer the following for your consideration:

California stands today as the wealthiest state in the richest nation on earth. Our economy is the fifth largest in the world, with a gross state product of \$1.4 trillion. We, as Californians, spend more each year on new automobiles than we do on the education of our elementary, middle school, and high school students and more than 10 times what we spend on behalf of our great university system. The question before us is not whether we can afford to educate our children, but whether there is the political will to do so.

In 1972, when Ronald Reagan was Governor, California committed 5.6 % of the state's per capita personal income to K-12 education. Under the proposed fiscal year 2003-04 budget, state and local spending for K-12 schools will represent approximately four percent of the State's personal income. The reductions in K-12 expenditures proposed in the budget represent approximately four tenths of one percent of our annual economic output. California already ranks below the national average in funding for public education. It makes no sense to cut spending by \$10,000 per classroom at this critical moment when providing full funding requires such a small portion of our overall wealth.

We must insist on accountability and the elimination of waste in our educational system. Yet, there is no credible argument that we are devoting too many resources to the education of the six million children in our public schools. Legislators who refuse to even consider reasonable proposals to fund education should be called to task for their willingness to rip the textbooks out of our children's hands before they even.

It is clear that significant budget action is required, both in the immediate term and the long term, to restore the State's fiscal integrity. We must demonstrate to the credit rating agencies and others in the investment realm our willingness and capacity to balance our books and do so in an expeditious manner. However, the rating agencies and the market do not require that we do so by cannibalizing essential programs such as education – rather they look to whether we reasonably balance revenues and expenditures. Indeed, in my experience over the last four years, the rating agencies and investors have indicated that they view investments in areas such as education and infrastructure as critical to the state's long term economic strength – the underlying credit for our bonds. If there was a bi-partisan willingness to fairly consider needed revenues, we could begin traveling down the road of fiscal balance and preservation of funding for education and other critical investments.

We owe it to the people of California to begin to seriously consider what additional revenue options, apart from those proposed in the budget, are available to fund education at the level needed to foster continued progress for future generations. Californians deserve a reasoned, open, and bipartisan discussion of the following options, among others: Eliminating corporate tax breaks of questionable value; increasing taxes on

alcohol to the national average; adopting a “split roll” whereby commercial properties are assessed at market value; and restoring the top corporate tax rate to what it was under Governor Pete Wilson.

The stance of the Republican leadership here in California regarding education funding stands in stark contrast to that of their colleagues in neighboring states and across the nation. For example, in his State of the State address, GOP Governor Kenny Guinn of Nevada called for \$980 million in new taxes – in a \$4.89 billion budget – to fund critical programs, such as education and mental health. He called wholesale cutbacks in education, among other things, “not a choice worthy of our citizens. It is not a choice for leaders, but a choice of political cowardice.” He talked about a “future where we provide for higher student achievement, where more students go to college...where our children, senior citizens, and those less fortunate live safer, healthier lives. This road will allow us to develop new businesses, grow our economy, create new jobs, and build a more competitive Nevada.” He went on to say, “If I had to build this budget on only our existing revenue, I could not live with myself, and I don't know anyone who could. The time has come to say, ‘enough.’”

As another example, Dirk Kempthorne, the conservative Republican Governor of Idaho, recently called for increases in cigarette and sales taxes. In doing so, he stated, “I have done something that is absolutely not part of my fiber. But I’m not going to dismantle this state, and I’m not going to jeopardize our bond rating, and I’m not going to reduce my emphasis on education.”

Spending cuts in education are going to hurt our economy today and in the long term. No one likes new or higher taxes. But as Stephen Levy, director of the Center for Continuing Study of the California Economy, points out, temporary tax increases to pay for critical investments such as education represent better economic policy than deep spending cuts. As he notes, “I know of no theory of economic prosperity and competitiveness that starts with a below-average education system.” Joseph Stiglitz, the recipient of the 2001 Nobel Prize in Economics, concluded much the same in a recently published study.

As the State's chief investment officer, I am committed to working to rapidly restore our state's fiscal integrity and to ensure that we fund the critical investments such as education vital to our economic prosperity in the decades ahead. As the next phase of the budget debate begins, I hope we can stand together to fight for the policies and values essential to our state's future success and for a budget a resolution which builds our long term economic and social strength. I will do all that I can to ensure that the people of California have the kind of debate they deserve.